

**Testimony of
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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am very pleased to appear before you today to detail our accomplishments in the implementation of the Environmental Quality Incentives Program (EQIP). With me today is Dallas Smith, Deputy Under Secretary for Farm and Foreign Agricultural Services.

Nearly two years have passed since the Federal Agriculture Improvement and Reform Act of 1996 was signed into law. From development of program guidance to our experiences in the initial contract application and selection period this past summer and early fall, there is a great deal of information to share. Today, I hope to outline our achievements and to describe how the goals of the program are being addressed.

Program Development

To begin, I'd like to briefly review how we arrived at this point in the implementation of EQIP. Both the Congress and the Administration had similar visions for this new conservation program. In the Administration's Farm Bill Guidance, commonly referred to as the "Blue Book", we identified the need to offer farmers more decision-making opportunities and greater flexibility in how they farm their land. We also advocated shifting more authority to local and state officials and targeting conservation programs. A principal goal of our recommendations was to simplify conservation and environmental program requirements and better incorporate state and local priorities. We suggested policies that provide farmers and ranchers with voluntary incentives to adopt sound conservation practices.

The vision articulated in the Blue Book was that of Coordinated Conservation Assistance, which aimed to improve the performance of conservation programs in the following manner:

Conservation assistance should begin with national and regional guidance and standards that reflect national priorities developed through an open and inclusive process.

An open and inclusive process should also be used at the state level to identify priority areas consistent with national guidelines that can be addressed on a watershed or some other geographical basis. State level problems in watersheds should be identified by state and local groups as should the solutions. Funds, to the extent available, should support these activities where they are consistent with national priorities.

A central goal should be to develop site-specific plans in full cooperation with the producers and ranchers in a particular area, including where practical the consolidation and simplification of the numerous federal and state plans affecting landowners to reduce the administrative burden to producers.

Simplified conservation assistance should be established through consolidation of existing cost-share programs into one program, or through consolidation of conservation authorities, to ensure that the best elements of each program are retained.

Congress, for the most part, adopted legislation very consistent with these principles and incorporated them in the EQIP provisions of the Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Act), which amended the Food Security Act of 1985, as amended (the 1985 Act).

Since President Clinton signed the 1996 Act into law on April 4, 1996, the Department has continued this open and inclusive process of developing EQIP and other conservation programs. We conducted nine listening forums to provide opportunities for

public comment in advance of rule-making. A national-level interagency team was consulted as the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA), and the Commodity Credit Corporation (CCC) developed the program rules and guidance. The proposed rule was published in the Federal Register in October, 1996, and the final rule was published and effective on May 22, 1997.

Throughout the time period before and after the Final Rule was published, a coordinated public information and outreach effort was conducted. This helped prepare farmers and ranchers for their first opportunity to apply for the program. Program application periods are determined at the state level because of the program's emphasis on reflecting state and local priorities and the need to accommodate different administrative processes.

Program Dynamics

EQIP is very different from previous programs. The program is driven from the field and State levels, using a bottom-up approach. EQIP covers numerous resource concerns on a much more localized level and strives to treat the highest priority natural resource problems in prescribed time. EQIP contracts are determined at the field level throughout the year, using flexible application periods that address diverse situations.

EQIP encourages and allows all of the resource concerns to be addressed with a comprehensive, system-type approach rather than through individual practices that only addresses part of the problem. A comprehensive approach encourages farmers and ranchers to consider all of the effects of their actions on their own unit, as well as the impacts beyond their farm and ranch.

EQIP is the key federal program to help implement those conservation plans that can be linked to other local, State, tribal, and federal programs to assist farmers and ranchers to protect or restore natural resources. This requires a much broader approach than the more narrow focus of the conservation programs replaced by EQIP. Those old programs primarily focused on solving one natural resource problem through cost-share payments only and did not require a conservation plan. EQIP can help farmers and

ranchers comply with Federal and State environmental laws with reduced burden and expense.

Program Implementation

Fiscal Year (FY) 1997 was really a transition year. An abbreviated process was used to ensure EQIP funds were available soon enough to be obligated prior to the end of the fiscal year. FY 1998 will be our first full year of implementation using a locally-led approach. A process has been established that ensures conservation problems in the priority areas are identified by local work groups. It will further ensure that solutions are developed and pursued by these groups. Locally-led conservation involves in the decision-making process farmers, ranchers, and other people at the local level who can ensure that these activities are focused and successful.

Preparations for the implementation of EQIP at the state and local levels actually began in October, 1996, when NRCS consulted with State Technical Committees to identify the state level priority areas where the program should be delivered. The process for selecting these priority areas begins with the local conservation district convening a local work group, which is a partnership of the conservation district, NRCS, FSA, FSA county committees, Cooperative Extension Service, and other state, local, and tribal entities with an interest in natural resource conservation. They develop proposals for priority areas, develop ranking criteria to be used to prioritize producer's applications for EQIP, make program policy recommendations, and other related activities.

The priority areas recommended to NRCS by the local work group are submitted to the NRCS State Conservationist, who with the advice of the State Technical Committee sets priorities for the program, including approval of priority areas. Over 600 priority areas were approved by State Conservationists. When fund allocations were made to the States, it resulted in 550 priority areas being approved for funding. Funds are made available to the State NRCS offices based upon the quality of the priority area proposal, local initiatives, and the environmental needs of the affected areas. Although we were not able to fully utilize the local work groups in the process in FY 1997, we are pleased to report that the locally-led conservation effort has been engaged to identify where and how EQIP will be delivered in FY 1998 and beyond.

Outcomes

There has been significant response to this program by farmers and ranchers. We received nearly 60,000 applications in FY 1997. It would require over \$550 million to fully fund all of the applications received last year, alone, which is three times the available financial assistance funds. After NRCS ranked the applications based on criteria developed at the local and state level, FSA county committees approved over 23,000 long-term contracts with farmers and ranchers. The EQIP financial assistance on these contracts will exceed \$174 million.

The 1985 Act directs the Secretary to operate a national program that helps producers address their most significant natural resource challenges. It also directs the Secretary to give a higher priority to providing assistance in conservation priority areas and in a manner that maximizes environmental benefits. One of the things we did in FY 1997 to help us achieve these goals was to provide funding in a state at levels of which at least 65 percent of the funds are allocated to priority areas and a maximum of 35 percent to significant statewide natural resource concerns that may occur outside funded priority areas. Data for FY 1997 contracts shows that state leaders have actually decided to target nearly 70 percent of the funds in priority areas. It is clear that the shift to a more targeted approach is occurring and supported by local decision-makers. Part of the reason behind this targeting is a desire by local leaders to support those farmers and ranchers whose lands and operations are in the greatest need of protection. Based on the fact that requests for assistance far exceed available funding, there is a need to continue to prioritize and focus our efforts so that we meet our Congressional mandate to maximize environmental benefits per dollar expended.

The 1985 Act's requirement that 50 percent of the available funds be targeted to address natural resource problems relating to livestock production. This target was considered throughout the program's development and was included in our process for allocating funds to States. State Conservationists made estimates of the amount of funds that will be spent on livestock-related concerns in each priority area and for each statewide concern. Our current estimate is that 54 percent of the EQIP funds will be spent on livestock-related problems.

In preparation for this hearing, Chairman Smith asked NRCS to provide certain information on EQIP implementation for six states. That information revealed that of the 4,223 contracts approved, 51 percent are livestock-related only, 28 percent are non-livestock-related only, and 21 percent are mixed. Although the number of contracts does not assure that the associated funds will be of the same ratio, there is every indication that the 50 percent requirement will be achieved in these six states.

We recently gathered more comprehensive data on the first round of contracts. Evaluation of FY 1997 contracts showed:

- Leveraging technical assistance and educational assistance contributions, especially in-kind assistance, from State, local, and private sources to assist the program achieve the identified goals and objectives.
- Enhancing the buffer initiative by leveraging itself with other buffer implementation efforts to help fill in gaps, overcome other initiative limitations, or provide other opportunities (technical and educational assistance) to help achieve even greater results.
- Providing opportunities for small and socially-disadvantaged farmers by expanded outreach and mentoring efforts to this important constituency.

Lessons Learned

Secretary Glickman, FSA Administrator Keith Kelly, and I believe that these indications are good, and that we have a program that achieves the goal set out for it in statute: maximizing environmental benefits per dollar expended by assisting farmers and ranchers in mitigating or resolving soil, water, and related natural resource problems, and in complying with environmental laws.

There are several lessons that we have learned from the initial implementation of EQIP, and some of them indicate that we have some work to do to refine the program and make it more effective.

First, when evaluating the response from the farmers and ranchers across the country, we learned that there is a tremendous need for a comprehensive natural resource conservation program. Even with the new program requirements for a conservation plan and a 5- to 10-year contract, the demand is high and will likely become higher as more producers become aware of the program. We believe that one reason for the popularity is the important role that local interests have had in identifying where the program should be delivered. Through the locally-led conservation efforts a strong interest in the program has already developed.

Second, the 1985 Act places simultaneous emphasis on helping farmers and ranchers deal with their priority natural resource challenges, doing so by working in priority conservation areas, and seeking to maximize environmental benefits. Last March, the Soil and Water Conservation Society (SWCS) convened a roundtable representing a broad array of perspectives on agricultural resource conservation. A white paper report, published by SWCS, summarized the roundtable. The white paper stated that a central change to conservation programs enacted by the 1996 Act is that the basis for allocating conservation funds is shifting from a pattern of equity, which provides similar levels of support in most places regardless of the need, to efficiency, and concentrates a larger portion of financial resources on the most severe problems. Enacting the use of priority areas should lead to conservation efforts being more efficiently applied. We have learned that it is not easy to get the right mix of these objectives.

Third, while there is a considerable amount of interest in the program, we have learned that we must increase our efforts to inform and reach out to producers. Many producers, especially low-income and minority farmers have not traditionally participated in the previous conservation programs that were supplanted by EQIP. We need to reach out to these producers, as we do to all other producers, to help them understand the natural resource conditions on their farms and ranches, and in their communities. In addition, we have emphasized appropriate lower-cost technologies that might be more easily adopted and that better fit the interests and needs of socially disadvantaged farmers. We also have a great challenge to encourage producers to think beyond their own farm boundaries. People need to understand that applying practices here and there, in a fragmented fashion, may not achieve tangible benefits beyond the farm level.

Last but not least, we have also learned that some of our employees and conservation partners need more training and experience to help them carry out the program the way it was designed. We will be looking at ways the process used to rank applications can be streamlined, better coordinated across a state, or improved to ensure that the applicants who will achieve the greatest environmental benefits for the least program expenses are chosen. In other instances, the development and approval of conservation plans and contracts needs to be performed in a more efficient manner so that producers are better served. Some of us also need to change our thinking and culture away from the paradigms of the past programs to a new paradigm; some became so accustomed to working with programs that existed for decades and changing to something new is not easy.

Undoubtedly, other lessons will be learned and we will respond to those lessons accordingly.

Outlook

Local work groups recently recommended nearly 1300 priority areas to State Conservationists for approval. State Conservationist, who with the advice of the State Technical Committee, set priorities for the program and approve priority areas. Over 650 priority areas were approved by State Conservationists. These proposals again far exceed the available funds for FY 1998.

The current fiscal year provided EQIP its first full year of locally-led involvement. The number and quality of these priority areas reveals that many more local work groups were involved in the process in FY 1998. The shift to this new approach is clearly taking hold throughout the nation.

Based on the fact that requests for assistance far exceed available funding, there is a need to continue to prioritize and focus our efforts so that we achieve the maximum environmental benefits possible. National interest in animal nutrient management is becoming of increasing concern. The applicability of EQIP as a tool to address this issue will spur additional program participation. In addition, we will work to reach out to potential minority and low-income producers who are not aware of the opportunities that EQIP affords. The 1999 budget proposal seeks to increase funding for EQIP by \$100

million for FY 1999. The increased funding would be directed toward technical, financial, and educational assistance to farmers and ranchers in addressing problems associated with agricultural runoff. The ability of the program to remediate water quality concerns will make it a primary tool in meeting the ambitious goals contained in the President's Clean Water Action Plan as well. In addition, the request will also help with increased assistance to minority and limited resource farmers to ensure participation in the program.

Conclusion

Improving and protecting our private land is important to all of us. However, our lands have been telling us for many years that things must be done differently, to treat all of our natural resource problems. The locally-led conservation initiative initiated by EQIP is simply an effort to listen to the land where it is heard best, on the local level. Our locally-led conservation effort strives to get our nations farmers and ranchers to consider everything within their farm boundaries and beyond. EQIP encourages local residents to work together and take responsibility for solving environmental problems. Locally-led conservation is an effort to diagnose and prioritize problems, support local initiative and involvement, develop comprehensive plans of treatment, identify sources of help, and provide the best financial, educational and technical assistance resources available to provide solutions.

I would like to state very strongly for the record that our employees have a strong grasp of this principle and have done an impressive job to get EQIP on the ground quickly, efficiently, and with a strong adherence to the vision of the program. Making the transition to new programs is never without difficulty. However, I assure you that from the process of rule-writing right down to the field office level, we have focused on keeping the program straight-forward, and for ensuring that taxpayers get the maximum environmental benefits possible. I am confident that we will continue to improve, and by analyzing the information that is coming in, we will be able to further sharpen EQIP for the future. We will also strive to better capture our accomplishments so that they may be utilized to further improve the program and prove its value to the taxpayer. As conservationists strive to help local people realize their goals, we want to ensure that EQIP will be a tool that they reach for time and again. I thank you again for the opportunity to provide my remarks and will be happy to answer any questions that you might have.